

## **A STUDY ON RECENT TRENDS IN ONLINE PAYMENTS – MOBILE WALLETS**

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### **ABSTRACT**

Mobile Wallets form a major recent trend of e-commerce and have become a new mode of payment in todays business world. Cash in the electronic form is simplest way to transact from anywhere. In the present study an effort has been made to identify the mobile wallet system in online trading. The emphasis is also on understanding how the online transactions are made. The need of mobile wallets in this app based society and analyse the impact of communication technology on business, society, consumer's behaviour and financial institutions.

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## **INTRODUCTION**

Wallets are becoming sleek, gone are the days of carrying heavy cash, debit and credit cards. Any purchase today can be settled just with a tap on a mobile. Today money can be transferred through a mobile. It is a new trend catching up in transport and retailing sector. Most of the urban crowd have atleast once experienced this mode of payment either to activate a DTH service or in form of Ola Money or for online shopping. Mobiles Wallets<sup>[1]</sup> are new in Indian e-business. The Mobile Wallets, which is also called MWallet, Digital Wallet, or eWallet, refers to a mobile technology that is used similarly to a real wallet. The Mobile Wallet provides a convenient solution for any business looking to allow customers to purchase their products online with greater ease, therefore driving the sales. As mobile use grows rapidly, users begin to go online more often via mobile and even shop via mobile. With the mobile wallet, it is possible to hold all of the items that a physical wallet would carry on a mobile device.

### **1.1 History of e-Business**

Looking into the history it is found that an English entrepreneur Michael Aldrich invented online shopping in 1979. His sytem connected a modified domestic TV to a real

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time transaction processing via a domestic telephone line. The modified domestic TV technology with a simple menu-driven human-computer interface, was a 'new, universally applicable, participative communication medium — the first since the invention of the telephone.' This enabled 'closed' corporate information systems to be opened to 'outside' correspondents not just for transaction processing but also for e-messaging and information retrieval and dissemination, later known as e-business<sup>[2]</sup>. In March 1980 he went on to launch Redifon's Office Revolution, which allowed consumers, customers, agents, distributors, suppliers and service companies to be connected on-line to the corporate systems and allow business transactions to be completed electronically in real-time<sup>[3]</sup>.

During the 1980s<sup>[4]</sup> he designed, manufactured, sold, installed, maintained and supported many online shopping systems, using videotex technology<sup>[5]</sup>. These systems which also provided voice response and handprint processing pre-date the Internet and the World Wide Web, the IBM PC, and Microsoft MS-DOS, and were installed mainly in the UK by large corporations.

The first World Wide Web server and browser, created by Tim Berners-Lee in 1990, opened for commercial use in 1991. subsequent technological innovations emerged in 1994: online banking, the opening of an online pizza shop by Pizza Hut, Netscape's SSL v2 encryption standard for the secure data transfer, and Intershop's first online shopping system. Immediately after, Amazon.com launched its online shopping site in 1995 and eBay was also introduced in 1995.

## 1.2 Definition of e-Wallet

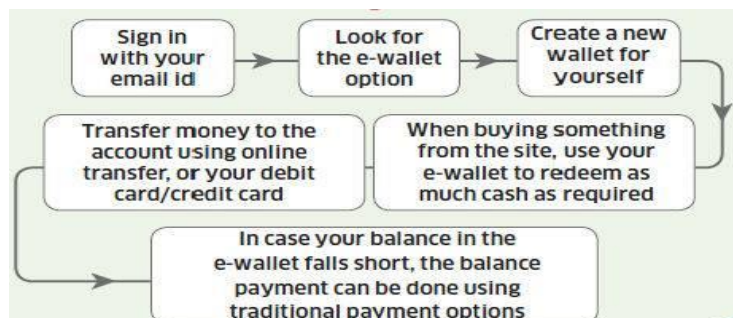
A system that securely stores users' payment information and passwords for numerous payment methods and websites. By using a digital wallet, users can complete purchases easily and quickly with near-field communications technology (NFC). They can also be used to store loyalty card information and digital coupons.

## 1.3 Objectives of the Study

- To know the origin of m-wallets in India and the top Indian mobile wallet companies.
- How can a mobile wallet be used.
- To study the different types of mobile wallets used in India.
- To understand the usage and impact of m-wallet on online shopping.
- To know the areas in which e wallets can be used.

## 1.4 How to Use an e-Wallet

The sites where e-wallet services are available generally have the following few easy steps to get started



### 1.5 Types of Mobile Wallets

According to RBI Pre-paid Payment Instruments<sup>[6]</sup> PPI are payment instruments that facilitate purchase of goods and services, including funds transfer, against the value stored on such instruments. The value stored on such instruments represents the value paid for by the holders by cash, by debit to a bank account, or by credit card. The pre-paid instruments can be issued as smart cards, magnetic stripe cards, internet accounts, internet wallets, mobile accounts, mobile wallets, paper vouchers and any such instrument which can be used to access the pre-paid amount (collectively called Prepaid Payment Instruments hereafter). The pre-paid payment instruments that can be issued in the country are classified under three categories such as:

**Closed System Payment Instruments:** These are payment instruments generally issued by business establishments for use at their respective establishment only. These instruments do not permit cash withdrawal or redemption. Makemytrip and Jabong are examples of closed mobile wallets. The account is credited in case of any order cancellation or product Return. The amount refunded is used only to make purchases from that merchant only.

**Semi-Closed System Payment Instruments:** These are payment instruments which are redeemable at a group of clearly identified merchant locations/ establishments which contract specifically with the issuer to accept the payment instrument. These instruments do not permit cash withdrawal or redemption by the holder. Paytm, MobiKwik, PayUMoney Oxigen are the widely used Mobile Wallets in India.

**Semi-Open System Payment Instruments:** These are payment instruments which can be used for purchase of goods and services at any card accepting merchant locations (Point of sale terminals). These instruments do not permit cash withdrawal or redemption by the holder.

**Open System Payment Instruments:** These are payment instruments which can be used for purchase of goods and services and also permit cash withdrawal at ATMs. Vodaphone powered M-pesa wallet.

### 1.6 Purpose of the Study

The main purpose of this study is to know the difference between traditional and modern method of payments. The level of awareness among today's online customers. Technological changes in the virtual world of shopping backed by financial security by financial institutions. To know the most preferred mode of payment in today's ecommerce.

## METHODOLOGY

The nature of e-business and on line payments have undergone several changes. M wallets and e-wallets have come to the rescue of generation y. In this the proposed study is based on the secondary data. Present study is emphasizing on the issues related to the impact of PPI in banking and customer security.

### 2.1 Secondary Data

Secondary Data was collected from various newspapers – The Economic Times, Times of India and various websites. This paper is prepared mainly from the conceptual point of view.

## RESULTS

The first e-wallet in India ‘Wallet365.com’ was launched in Mumbai 2006, by Bollywood star Amitabh Bachchan. Wallet365.com enables secure electronic payment between people and businesses easily and instantly. One can sign up for free through an email ID. The product is in association with YES BANK who provides the payment and banking services. It also helped in sending money to anyone, receive money from anyone or make payments to businesses. Today the number of Mobile Wallets and its types have increased. The following table shows the most famous mobile wallets in India during 2015.

**Table – 1: India’s Top Payment Apps**

<b>Paytm</b>	<b>39%</b>
Freecharge	26%
Mobikwik	17%
My Airtel	10%
Oxigen Wallet	7%
MyVodafone	6%
Paytm Wallet	5%
Pockets by ICICI	4%

**Source:** Reach (%) Dec.2015 **Source:** Nielsen.

From the above table it is seen that Paytm is the top most used mobile app followed by Freecharge and Mobikwik. The other mobile wallets are Momoe a Bangalore based mobile payments startup that focuses on changing how customers pay while dining out, travel and shop. It can be used to store credit card details and make payments at various retail outlets. PayUmoney enables the instant refunds on cancellation of orders. Banks too have started their own mobile wallet applications to name a few State Bank Buddy of SBI lets its users transfer money to other users and bank accounts, pay bills, book movie tickets. It is available in 13 languages and non SBI customers can also use it. HDFC Chillr is an instant money transfer app of HDFC to simplify payment process available to HDFC Bank Customers. ‘LIME’ of Axis Bank is an application both for account and non-account holders which also allows sharing their wallets with their loved ones or pool in funds into a shared wallet for a particular purpose such as vacations and gifts.

Other mobile wallets are Paypal, Google Wallet, Apple pay. The most recent one being Udio of TransServ. It is India’s first social mobile wallet which integrates a social, community-driven aspect with anytime anywhere accessibility to digital P2P (Peer-to-Peer) transactions via its secure and seamless payment structure, creating a ubiquitous ecosystem for both consumers and brands.

## IMPACT OF MOBILE WALLET ON THE SOCIETY

**Table – 2: Spending Goes Cellular-April-Nov (Transactions in Millions)**

<b>Mode of Payment</b>	<b>2014-15</b>	<b>2015-16</b>
Cheques	793.1	729.3
Online Payment RTGS	59.3	64.0

Retail Electronic Clearing	890.4	1922.3
<b>Mobile Wallets</b>	<b>133.9</b>	<b>399.1</b>
Mobile Banking	97.772	203.1

**Source:** RBI Payment System Indicators

“We are leaving credit cards and debit cards far behind,” Vijay Shekhar Sharma . This is an indicator that the society on the whole is looking for easy payment methods. With an increase in the use of smart phone e wallets would enable both offline and online payments. Paytm alone expects customers to add about \$500 million in their wallets in 2016 which would be a ten fold increase in this year. Cashback is an incentive strategy through Paytm offers fixed sum or a percentage of the amount spent back to the wallet holders account to encourage use of wallet.” Around 35 million customers actively use Paytm at least once a month” said Nitin Misra, head-wallet product pipeline at Paytm. As small as Rs10 can be transacted through a mobile wallet but the Reserve Bank of India restricts its customers to Rs 10,000 wallet recharge per month on a mobile number and email ID. It is highly useful to migrant workers who need to send money home. Besides using electronic wallets for paying bills and shopping there are Loyalty cards, Gift Cards by Amazon. Besides all the uses there are a few limitations of Mobile Wallets primarily it can be used by mobile savvy people. It is highly dependable on availability of speedy internet connection. There are restrictions on the maximum amount to be stored in e-wallets and to transfer the amount one still requires a credit card. Online funds and passwords are still at risk. Only the urban population and young generation are confident in using mobile wallets. Every Business has started their own applications under any of the four said online payment models.

- Premium SMS based transactional payments- airtel money
- Direct Mobile Billing-
- Mobile web payments (WAP)
- Contactless NFC (Near Field Communication)

In future mobile wallets would work offline and transactions would happen in zero connectivity zones such as aeroplane and rural areas by Paytm.

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